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202/224-0642 <http://www.senate.gov/~budget/republican>

108th Congress, 2nd Session: No. 4

March 24, 2004

INFORMED BUDGETEER

SENATE PASSES 2005 BUDGET RESOLUTION

- After four days of consideration, the Senate passed its version of the 2005 Budget Resolution in the earliest hours of March 12. This marks the earliest the Senate has ever passed a budget resolution, surpassing the previous record by 13 days. Debate ended with the customary flurry of activity and some choreographed brinksmanship, but much to the Senate's credit there was no sustained vote-a-rama.
- Still, the Senate did not lack for amendments or votes. Sixty-four amendments were considered and 24 roll call votes were taken (compared to 81 amendments considered last year, with 50 roll call votes). Of particular significance was an amendment to fully reinstate PAYGO and an amendment to strike the modest savings reconciliation instruction to the Finance Committee. Both amendments were adopted.
- While neither of these changed any numbers in the resolution, other amendments adopted on the floor did. An amendment offered by Senator Warner that increased defense to the President's requested level was adopted with broad bipartisan support (95-4). The amendment added nearly \$7 billion in discretionary budget authority (BA) to the resolution levels and the discretionary cap, and did not include any offset.
- Fifteen amendments proposed raising taxes by over \$86 billion and raising budget authority by over \$80 billion in 2005 alone – all by Democratic sponsors. Of these, only one was adopted: Senator Landrieu's amendment would increase payments to survivors of military retirees by increasing taxes assumed in the resolution by \$5.5 billion over five years.
- As for the offset that's not an offset – 920 allowances – the Chairman's mark started with zero (the reported resolution reflected only mandatory savings in federal health programs from the Stabenow drug reimportation amendment). The resolution went to the floor without any negative entries representing unspecified discretionary savings assumptions in function 920, but it did not emerge untainted. By matching a spending amendment with a mirror negative entry in function 920, sponsors imply an across-the-board cut or an unspecified offset (see March 31, 2003 *Bulletin*). Fourteen amendments successfully used this strategy to show support for favored programs.
- With the rush of 920 amendments piling up as the 50 hours was expiring on the budget resolution, function 920 went from zero in the Chairman's mark to more than -\$11 billion in 2005 BA in the Senate-passed resolution. This could be interpreted as either a roughly 1.3-percent across-the-board cut to all discretionary programs or as tepid support for new spending that is not backed up by making any tough savings choices. Ultimately, however, these "920" amendments do not translate into a larger allocation to the Appropriations Committee to fund the highlighted programs at the supposed higher levels. So the additional spending they attempt to represent does not have a higher claim on the fixed pot of resources.
- After accounting for all the adopted amendments that changed any of the resolution's numbers, the Senate-passed resolution reflects a 2005 deficit of \$341 billion (including interest costs of amendments), which is \$2.9 billion higher than the reported resolution.

HOW DO THE DISCRETIONARY LEVELS COMPARE?

- One of the most scrutinized facets of a budget resolution is the level of discretionary budget authority it provides to the House and Senate Appropriations Committees (the 302(a) allocation). The table below summarizes the assumptions in the two latest versions of the 2005 resolution and compares them to the President's request (as reestimated by CBO), the CBO baseline, and what has been enacted for 2004.

	2004 ^{/a}	Pres. ^{/b} Budget	Sen.-passed Budget Res.	House- Reported Budget Res. ^{/c}
Defense (050)	394.0	420.8	420.8	420.6
Change vs. 2004		6.8%	6.8%	6.8%
Non Defense	367.1	370.9	367.3	369.6
Change vs. 2004		1.1%	0.1%	0.7%
Homeland Security (without Bioshield)	26.3	28.6	28.6	28.5
Change vs. 2004		9.1%	9.1%	8.5%
Bioshield	0.9	2.5	2.5	2.5
Change vs. 2004		184%	184%	184%
TOTAL	788.2	822.9	819.3	821.3
Change vs. 2004		4.4%	4.0%	4.2%
NOTE:				
Iraq War Reserve ^{/d}	87.0	--	30.0	50.0

NOTE: Totals and percentages may not add due to rounding.

^{/a} Excludes continuation of \$87 billion Iraq supplemental enacted in 2004.

^{/b} CBO reestimate

^{/c} For comparison purposes, reflects in function 050 the Homeland Security spending originally in sub functions 053 and 054 that the House resolution shifted to new function 100.

^{/d} The House resolution reflects the amounts for this reserve in its overall levels, while the amounts for the Senate reserve do not appear in the resolution aggregates. The 2004 figure displays 2004 supplemental for comparison purposes.

- The table provides a consistent comparison across the defense category because it corrects for the potentially confusing effect of displaying some defense spending (about \$2.3 billion from subfunctions 053 and 054) in a new homeland security function (100) in the House resolution. After making the adjustments, one can see that the Senate-passed resolution matches the President's request for defense, but the House resolution is slightly less (it matches the President's budget for subfunction 051, but not 053 and 054). Similarly, the House level for homeland security is 0.5 percent less than the President's request.
- The Senate-passed level of \$367.3 billion for nondefense is \$1.7 billion less than \$369 billion (which would have nearly matched the House level). The difference is the Senate's adoption of the Levin amendment, which assumed the Appropriations Committee would enact a provision to generate \$1.7 billion in additional receipts related to the Strategic Petroleum Reserve (but would not have allowed the resulting receipts to be spent, and instead left the spending out of the resolution in a reserve fund). Scrutinizing budgeteers will note that the Levin amendment did not address the separate discretionary limit in the enforcement section of the resolution, leaving it at \$821 billion for 2005.

TALE OF TWO SCORING RULES

- While there are a lot of moving pieces underlying the various proposals for discretionary spending for 2005, the table above shows that one thing remains fixed and constant: the advance appropriation for Bioshield (\$2.528 billion already enacted for 2005) appears in every plan as a done deal.

- Or is it? In his 2004 budget request, the President proposed \$5.6 billion in new mandatory spending for Project Bioshield – an effort to encourage drug companies to create defenses or responses to bioterror threats for which there is currently no market. But Congress could not muster an authorization bill. By the summer, the Administration decided to seek the funds by other means. In a letter dated July 24, 2003, OMB Director Bolton informed Congress of his intent (fulfilled in September) to submit a budget amendment instead requesting discretionary appropriations for Bioshield. The letter concluded: “It is important to protect these funds from being redirected to other uses over the ten-year period, and the Administration intends to work with Congress to ensure Bioshield appropriations are not diverted for other purposes.”

- The funds were enacted in the 2004 Homeland Security appropriations bill. But it immediately appeared likely that not all those funds would ultimately remain available for Bioshield purposes. Democrats resisted efforts on the Bioshield authorization bill to include a scoring rule to protect and guarantee those appropriated funds, which some say contributed to the authorization bill’s inertia.

- To protect those funds for Bioshield, the President’s 2005 budget proposed a new “category” for Bioshield BA only, separate from the familiar mandatory and discretionary categories of spending, indicating the Administration is content to move forward without an authorization. The 2005 Budget Resolution reported by the Senate Budget Committee, instead of creating a new category, included a new scoring rule (section 404(b)) providing the protection demanded by the Administration for these funds:

FUNDING FOR BIOSHIELD- In the Senate, for purposes of points of order under any concurrent resolution on the budget and the Congressional Budget Act of 1974, provisions contained in any bill . . . that change the availability of any amounts appropriated for Project Bioshield . . . shall not be scored with respect to the level of budget authority or outlays contained in such bill.

- This rule simply sought to make sure that Congress could not use the \$3.4 billion already appropriated (\$0.9 billion in 2004 and \$2.5 billion in 2005) as a “bank” for rescissions that would offset other unrelated spending increases under whatever cap is ultimately set for 2005. Senator Byrd argued on the floor during consideration of the budget resolution that this scoring rule (though designed only to prevent Bioshield funds from being redirected to pay for other programs) somehow disregards the previous enactment of Bioshield appropriations and would “cut” homeland security funding by counting the \$2.5 billion already appropriated against an \$814 discretionary limit for 2005. The language before the Senate neither would have “disregarded” Bioshield’s enactment nor would have cut Homeland Security; nonetheless, the Senate-passed resolution (section 404(a)) reflects the Senate’s adoption of Senator Byrd’s amendment, which struck that scoring rule and replaced it with the following one:

FUNDING FOR BIOSHIELD- The chairman of the Committee on the Budget of the Senate shall revise the aggregates, functional totals, and allocations to the Committee on Appropriations of the Senate, discretionary spending limits, and other appropriate levels and limits in this resolution by \$2,528,000,000 in budget authority for fiscal year 2005 . . . for a

bill . . . that makes appropriations for the Department of Homeland Security for the fiscal year ending September 30, 2005.

- This replacement scoring rule would not only make it possible to rescind Bioshield funds to pay for other spending, but would augment whatever discretionary level, allocation, and cap that is ultimately set in a budget resolution conference report by an automatic \$2.5 billion. Consider the following table to see how this amendment would result in \$5 billion more in additional discretionary spending not contemplated by the scoring rule it replaced.

BYRD AMENDMENT CHANGED BIOSHIELD SCORING RULE, INCREASING DISCRETIONARY BA UNDER PRESIDENT’S REQUEST BY \$5 BILLION (\$ billions)		
<u>Original Scoring Rule</u>	<u>Discretionary BA</u>	<u>Byrd Amendment</u>
Amount President requested for non-Bioshield	\$820.4	
Amount already enacted for Bioshield--protected from being used for other purposes	\$2.5	Strikes protection for Bioshield funds, which can be redirected to other purposes
Total limit under President’s request	\$822.9	
	\$2.5	Requires \$2.5 billion increase in cap when Homeland Security bill is reported
	\$825.4	Total President’s request available for non-Bioshield programs as adjusted by Byrd amendment

- Since no one knows what figure the 2005 budget resolution conference report will set for discretionary appropriations, the example above uses the President’s request as a likely placeholder for the final figure, which, as reestimated by CBO, is \$822.9 billion. (This figure includes the \$2.5 billion already appropriated for Bioshield; remember that the President’s 2005 budget proposed a new “category” for Bioshield BA only, but CBO’s reestimate shows it as discretionary.) Under the original Bioshield scoring rule, if the budget resolution adopts the President’s request, the appropriations committees would be prevented from rescinding Bioshield funds to spend on other programs and would have \$820.4 billion to spend on everything else.

- But under the Byrd amendment, Bioshield funding could be rescinded to bring total appropriations on everything else to \$822.9 billion. Further, upon the simple reporting of the Homeland Security appropriations bill (regardless of whether Bioshield funding was preserved), the Budget Committee Chairman would have to increase the discretionary allocation by another \$2.5 billion. As a result, total 2005 appropriations (for things other than Bioshield) could amount to \$825.4 billion – \$5 billion more than originally intended by the President’s request.